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**Report to the 1997 General Assembly By The
Marine Industry Economic Development Task Force**

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**REPORT TO THE 1997 GENERAL ASSEMBLY BY THE
MARINE INDUSTRY ECONOMIC DEVELOPMENT TASK FORCE
February 18, 1997**

INTRODUCTION

The Marine Economic Development Task Force (Task Force) was formed as a result of legislation introduced during the 1996 session of the Maryland General Assembly.

As originally introduced, House Bill 1358 would have exempted the value of a trade-in from the vessel excise tax. As amended, the legislation called for the formation of a Task Force to include four members recommended by the Marine Trades Association of Maryland, Secretaries of the Departments of Natural Resources and Business and Economic Development, and one member each from the sportfishing industry, the Maryland Tourism Development Board and a representative from the general public.

The bill received unanimous support in the House and a favorable report from the Senate Committee, but was not brought to a final Senate floor vote as time ran out during the waning hours of the session.

The Marine Industry Economic Development Task Force was formed, the members are:

Marine Trades Association of Maryland:

Jim Barthold, United States Shows
Nancy Cann, Crusader Yacht Sales
Gary Pensell, Tidewater Marine, Havre de Grace
Chris Washburn, Washburn's Boat Yard

Department of Natural Resources: Sarah Taylor-Rogers, Assistant Secretary

Department of Business & Economic Development:

Pete Chambliss, Designee, or Julie Heizer,
Office of Tourism Development

Department of Tourism: Kathy Magruder, Director, Queen Anne's County Tourism

Sport Fishing Representative: Charles Nichols, Ocean City Fishing Center

General Public: Bob Jones, Boater at Large
Al Simon, State Boat Act Advisory Committee

Administrative Staff Support: Bruce Gilmore, Department of Natural Resources
Director, LRS, Norine G. Ripple, Martha Anderson,
Jeanne Wirth
Beth Kahr, Administrative Director,
Marine Trades Association of Maryland

SITUATION

The necessity to successfully meet the challenges outlined in the 1996 legislation became painfully obvious with the release of the update of the industry's economic impact study. The original economic impact model was designed to be updated annually by obtaining new information on boat registrations by size, propulsion and whether the boats are trailered or kept in the water.

The results of the 1996 report were distressing. While the 1996 report³ (Exhibit 2) indicated a 2.7% increase in the boat population since 1993, almost all this growth was in Personal Watercraft (PWC) and small trailered powerboat categories. The number of in-water power and sailboats declined 7.7%.

The report also showed a decline in boating's contribution to economic activity, which may be attributed to the difference in the spending patterns of PWC owners and other (traditional) boat owners. Additionally, PWC's require less marine industry support and fewer services. There is no indication that this trend will reverse itself without aggressive measures. The Task Force concluded that these would include economic, legislative, regulatory and marketing efforts.

OBJECTIVES

The Task Force shall have the following duties and responsibilities:

- Assist the Department of Natural Resources and the recreational boating industry in recommending necessary strategies including the State Boat Excise Tax to promote, sustain and expand the State's boating economy.
- Evaluate and review the State's recreational boating economic competitiveness with other states and make recommendations as to measures to promote this industry.
- Develop and implement a comprehensive marketing plan to promote the recreational boating industry in concert with the Maryland Tourism Development Board, the Department of Natural Resources, the Department of Business and Economic Development and private sector entities; and
- Undertake and perform such other duties and functions from time to time as necessary to carry out the provisions of this subtitle.

PROCESS

The Task Force held four full committee meetings and several subcommittee meetings in order to accomplish the charges. In those meetings, hundreds of documents, which included articles, information provided from other states, and survey information, were analyzed and reviewed. A significant source of preliminary information was the Economic Impact Study titled Recreational Boating in Maryland, University of Maryland, Maryland Sea Grant College.

The goals of the Promotion Committee were to identify potential strategies that could be implemented to promote Maryland as a good place to boat, have a boat repaired, buy or sell a boat, and to emphasize the positive impact the boating industry has on Maryland's economy. (Exhibit 7)

The Promotion Committee presented the Marketing Plan (Exhibit 8) which was later adopted by the Task Force. It provided recommendations regarding media use and indicated the necessity for the cooperation of private/public agency ventures. Various possible sources for funding of promotional initiatives were considered, including, but not limited to:

- Reinvestment of revenues collected by DNR through taxes on boating to promote the boating industry.
- Funds budgeted by DBED/OTD for marketing Maryland as a boating destination
- MTAM funds budgeted for assisting their members in marketing, advertising or promotion activities.

RECOMMENDATIONS

The Task Force offers the following recommendations related to sustaining and expanding the boating economy in Maryland, thereby placing it on a competitive basis with surrounding states. The majority of the Task Force members believe that sustain growth could not be realized unless there is a reduction on the boat excise tax and an exemption from tax of a trade-in. Maryland is unique in its funding of boating related services. It is also believed that DNR's dependence on the 5% excise tax hampers boating's economic growth. On this assumption, some members view that the funding of boating activities creates an inverse relationship between what is best for the industry and what appears necessary to sustain the activities of the DNR. The Task Force is appreciative of, and recognizes the Department's efforts and services. However, since the Department is dependent on the 5% excise tax for its funding, the department is not in concert with exploring any suggestions that could result in an unrecoverable loss.

At the December meeting, the following recommendations were adopted:

- The Task Force recommended, with DNR abstaining, that there be a 1% reduction in the excise tax rate in order to stimulate growth in the boating economy by placing Maryland in a more competitive position in the Atlantic region. (Exhibit 10: DNR Addendum)
- The Task Force recommended, with DNR abstaining that the value of a trade-in be exempt from the aggregate total of sales transactions handled by a Maryland licensed dealer for the purpose of excise tax calculation. In addition, the Department would determine what is appropriate documentation for trade-ins. The trade-in allowance would only be recognized in Maryland dealer boat sales. (Exhibit 10: DNR Addendum)

Marine Industry Economic Development Task Force

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 • 1996 Dealer Survey Regarding Excise Tax Legislation
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 • Boat Excise Tax Collection History
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- Exhibit VII. • Out-of-State Owned Documented Vessels
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- Exhibit IX. • Registration and Titling Fee Information
- Exhibit X. • Department of Natural Resources Addendum to the Task Force Report

Exhibit I

RECREATIONAL BOATING IN MARYLAND

An Economic Impact Study

By Douglas W. Lipton
and
Scott Miller

Department of Agricultural and Resource Economics
University of Maryland
College Park, Maryland

Prepared for the
Marine Trades Association of Maryland
and the
Boating Administration
Maryland Department of Natural Resources.



A Maryland Sea Grant
Extension Publication

ACKNOWLEDGMENTS

This study relied greatly on the assistance of Beth Kahr of the Marine Trades Association of Maryland (MTAM). MTAM members who provided guidance and oversight were Mitch Nathanson and David Morrow. From Maryland Department of Natural Resources, Bruce Gilmore (Director, Boating Administration) and Mark M. Bundy (Administrator, Economic Analysis, Power Plant and Environmental Review, Tidewater Administration) helped provide direction to the study. David Rohall and Dana Wagner of the University of Maryland Survey Research Center assisted in survey design and delivery. Garry Brown and John DeLury provided technical assistance in all phases of the study. The study could not have succeeded without the cooperation of the Maryland recreational boating public and the Marine Trades firms who took the time to participate in the survey.

The study was funded by the Maryland Boating Administration, Maryland Department of Natural Resources, and the Marine Trades Association of Maryland. Support was also provided by the Maryland Sea Grant College Program and the University of Maryland Cooperative Extension Service.

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PROFILE OF RECREATIONAL BOATING IN MARYLAND AND ITS ECONOMIC IMPACT

A study to determine the economic impact of recreational boating to Maryland was conducted by researchers at the University of Maryland during the summer of 1994. The study was funded by the Maryland Boating Administration, Maryland Department of Natural Resources, and the Marine Trades Association of Maryland. Its aim was to evaluate the spending by boaters and how that spending affects both the state economy and Maryland businesses, from marine-related firms such as marinas and boat dealers to restaurants and service establishments.

Based on 190,436 registered and documented boats in Maryland in 1993, the analysis by the Maryland Sea Grant Extension Program employed detailed survey questionnaires of boaters. The Department of Natural Resources Boating Administration and the Marine Trades Association of Maryland assisted in the design and sample selection of the survey. The University of Maryland Survey Research Center conducted the survey.

Survey responses provided measures of expenditures and spending patterns (i.e., food and lodging, fishing supplies, boat fuel, transportation) by owners of trailered powerboats, in-water powerboats and sailboats. To estimate expenditures by all recreational boaters, the average expenditures for each class of boat was then multiplied by the number of registered boats of that class. In 1993, the registered and documented boats were as follows:

Trailered powerboats:	100,087
In-water powerboats	60,021
Sailboats	30,328

To determine the economic activity generated by the recreational boating industry, an impact analysis model (IMPLAN) was used to assess how expenditures generated by the recreational boating industry affected various aspects of the state economy, for instance, the effect recreational boating has on income and jobs. To better match the spending by boaters with Maryland's marine trades industry, the IMPLAN model which is in wide use nationally for such economic assessments, was modified with data unique to Maryland's industries; this modification was accomplished on the basis of a survey questionnaire to more than 300 marine trades firms in the state. The following summarizes boater expenditures and the resulting economic activity.

Table 7. Allocation of recreational boating expenditures by county in 1993.*

County	Recreational Boating Expenditure
Allegany	\$4,777,887
Anne Arundel	191,472,308
Baltimore City	6,518,814
Baltimore County	97,100,890
Calvert	23,148,162
Caroline	3,372,324
Carroll	8,237,172
Cecil	36,225,382
Charles	15,860,608
Dorchester	9,296,631
Frederick	10,546,484
Garrett	9,055,285
Harford	20,691,625
Howard	8,201,133
Kent	18,840,864
Montgomery	23,208,847
Prince George's	28,969,251
Queen Anne's	24,307,426
St. Mary's	22,998,041
Somerset	6,040,339
Talbot	19,502,317
Washington	7,942,472
Wicomico	9,134,604
Worcester	15,416,375
Out-of-State	246,079,599
Unclassified	38,678,223
TOTAL	\$866,944,840

*Does not include new and used boat purchases.

Employment Impacts

Table 9 summarizes the employment impacts of Maryland recreational boating in terms of full-time equivalent employment. Spending on recreational boating in the state results directly in 8,914 FTE jobs. Given the seasonal nature of the employment, substantially larger numbers of individuals are actually employed by the industry during the peak boating season. An additional 1,600 FTE jobs are created in other sectors of the Maryland economy that are not directly part of the marine trades sector, but that do support it, i.e., construction. The wages and income generated by these industries lead to additional spending in the state, spending that in all sectors of the Maryland economy stimulates another 7,490 FTE jobs. In total, 18,000 FTE jobs can be attributed to the spending that occurs from recreational boating. Based on 190,436 registered boats, approximately one full-time equivalent job can be attributed to every 10.5 boats registered or documented in Maryland.

Table 9. Employment generated by Maryland's recreational boating sector in 1993.

	Direct	Indirect	Induced	Total
FTE's	8,914	1,600	7,490	18,004

Personal Income Impacts

Personal income measures wages and compensation to individuals. Direct personal income impacts represents wages and compensation paid to employees in the sectors where boating-related expenditures occur. These would include restaurant employees as well as marina employees. Table 10 summarizes the personal income impacts of recreational boat spending in Maryland. While direct compensation in 1993 was \$164,669,669, the indirect and induced income impacts brings the total to \$356,411,079. Of the \$1.01 billion in expenditures by boaters registered in Maryland, \$346.4 million results in wages and compensation to Maryland employees.

Table 10. Personal income impacts of Maryland's recreational boating sector in 1993.

	Direct	Indirect	Induced	Total
Personal Income	\$164,699,699	\$33,485,140	\$154,682,007	\$356,411,079

Total Income Impacts

Total income adds proprietor income and compensation to personal income. Table 11 summarizes the total income impacts of Maryland's recreational boating sector. An additional \$73.7 million in profit and other income increases the direct income effect of boater spending (\$164,699,699, Table 10) to \$238,447,152. The total income effect is \$573,914,963.

Economic Value Vs. Economic Activity

While boating creates economic activity in the State as measured above, it also produces net economic value to the participants and industry. Value is measured as the net willingness-to-pay for the boating activity (i.e., the total individuals are willing-to-pay to go boating less what they actually expend in money and time) plus the additional profits and income the boating industry generates. The techniques used to measure value are markedly different from those used to measure economic activities. For example, Bockstael et al. (1987) estimated a change in net value to recreational boaters due to water quality improvements in the Chesapeake Bay by estimating boater demand and its dependence on water quality. Because recreational boating is a "non-market" activity (i.e., the household is both the producer and consumer of the recreational boating trip), there is no reason to believe beforehand that economic value and economic activity are positively correlated. That is, it is possible that activities with high net economic value have small economic impacts, and vice versa. Estimates of economic value are typically used in cost-benefit analysis of policies or actions. It would be appropriate to use a measure of the change in the net economic value of recreational boating as justification for improving water quality in the Chesapeake Bay. Economic impacts, as measured in this study, would provide additional information for the policymaker about the effects of water quality improvement on the Maryland economy, but would not enter directly into the cost-benefit equation.

Economic Impact of Maryland Boating Update: 1993-1995

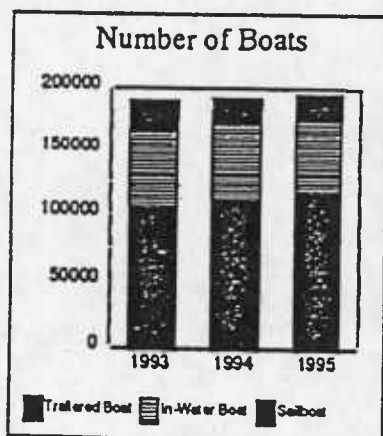
Douglas W. Lipton - Marine Economic Specialist

October, 1996

The University of Maryland's Sea Grant Extension Program and Department of Agricultural and Resource Economics has developed an economic impact model of the Maryland recreational boating industry using survey data from 1993. The model was designed to be updated annually by obtaining new information on boat registrations by various size categories for powerboats and sailboats, and depending on whether the boats are trailered or kept in the water. The complete methodology and data analysis is available from Maryland Sea Grant.¹ The information presented below represents the model results for the period 1993-1995.

More Small Boats, Fewer Large Boats in Maryland

According to figures provided by the Maryland Department of Natural Resources, boat registrations (including boats documented in Maryland) climbed from 190,436 in 1993 to 195,589 in 1995. This represents a 2.7% increase, which is slightly greater than the 1.8% increase in Maryland's population over the same period. However, almost all this growth is in the trailered powerboat and personal watercraft (PWC) category which increased 10.8%. The number of in-water powerboats and sailboats declined 7.7% over the period.



Sales by licensed boat dealers in Maryland increased from 8,900 boats sold in 1993 to 11,221 in 1995. The value of these sales (which excludes used boat sales between private individuals) was valued at over \$188 million and resulted in over \$9.4 million in excise taxes collected. The number of boats sold is skewed by the acceleration in sales of personal watercraft which must be registered in Maryland. The number

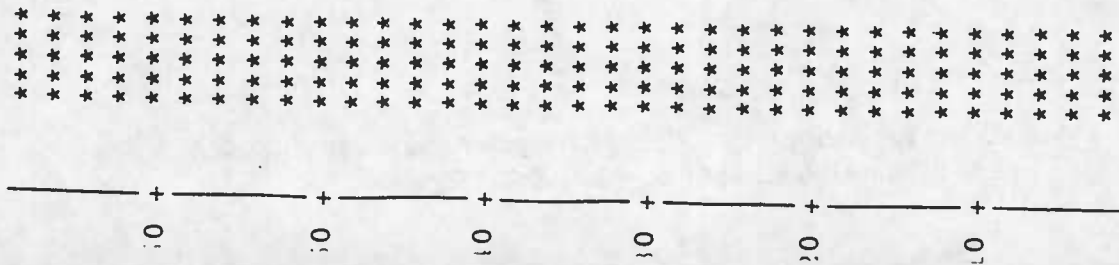
of PWC's in 1995 in Maryland was 9,273, a 43% increase over the 1993 number. The spending pattern of PWC owners is different from other boat owners, resulting in a lesser contribution to economic activity than if the increase in boat sales were in the larger boat categories.

¹Lipton, D.W. and S. Miller. Recreational Boating in Maryland: An Economic Impact Study. University of Maryland Sea Grant UM-SG-MAP-95-02. 1995. 35pp.

frequency

The SAS System

Out-of-State Revenue for Maryland Boat Yards
(n=90 out of 500 surveys)
x=\$143,000 Sample Total=\$1,871,000
Expanded Sample Total= \$71,500,000



0 300000 600000 900000 1200000 1500000 1800000 2100000
0-150000 150-300 300-450 450-600 600-750 750-900 900-1050 1050-1200 1200-1350 1350-1500 1500-1650 1650-1800 1800-1950 1950-2100
REVENUE Midpoint

Exhibit III

TITLE STATES/NON-TITLE STATES - December 1996
(Registration numbers based on June/July 1996 Small Craft Advisory Magazine)

This list includes the rate of tax and whether a trade-in is allowed to be deducted before tax is calculated.

TITLE STATES	RATE	TRADE-IN	NON-TITLE STATES	RATE	TRADE-IN
California - 860,672	7.25%	No	Alabama - 257,589	2%	Yes
Dist of Columbia -	6%	No	Alaska	NO TAX	
Florida - 709,692	6%	Yes	Arizona - 147,269	5%	Yes
Illinois - 389,000	6.25%	Yes	Arkansas - 169,500	4.5%	No
Indiana - 33,000	5%	Yes	Colorado -	3%	No
Iowa -	4%	Yes	Connecticut - 101,658	6%	Yes
Kentucky - 153,980	5%	Yes	Delaware - 38,300	NO TAX	
Maryland - 186,449	5%	No	Georgia - 298,706	Tax varies by county	
Massachusetts - 134,000	5%	Yes	Hawaii -	4%	Yes
Michigan - 447,775	4%	No	Idaho - 80,250	5%	Yes
Minnesota - 748,896	6.5%	Yes	Kansas -	4.25%	No
Missouri - 307,000	4.225%	Doc - No Regis - Yes	Louisiana - 314,600	4%	No
			Maine - 115,895	6%	Yes
Montana -	NO TAX		Mississippi - 231,186	6%	Yes
Nevada - 51,584		*	Nebraska - 65,500	5%	Yes
New Jersey - 191,000	7%	Yes	New Hampshire - 18,031	NO TAX	
New Mexico - 3,500	5%	Yes	North Dakota - 43,892	5%	Yes
New York - 455,189	4 - 8%	Yes	Pennsylvania - 330,000	6%	Yes
North Carolina - 311,000	3%	No**	Tennessee - 288,834	6%	Yes
Ohio -	5%	Yes	Wyoming - 27,346	3%	Yes
Oklahoma - 216,350	By length	No			
Oregon	NO TAX				
Rhode Island - 32,000	NO TAX				
South Carolina - 397,772	5%	Yes			
South Dakota - 44,475	4%	Yes			
Texas - 613,353	6.25%	Yes			
Utah - 75,748	5%	Yes			

TITLE STATES	RATE	TRADE-IN	NON-TITLE STATES	RATE	TRADE-IN
Vermont - 40,000	5%	Yes			
Virginia - 224,795	2%	No			
Washington - 247,521	7%	No			
West Virginia - 53,202	5%	Yes			
Wisconsin - 72,299	5%	Yes			

* One-time \$5 fee - annual registration is based on county and length of boat

** Titles are optional

c:\legis\hb1358\title.c

Notes on MTAM Survey of Dealers Regarding Excise Tax Legislation

- I. Selection of Dealers/Brokers
 - "TopTen" as provided by DNR (7 responded)
 - Random selection of MTAM members and non-members
- II. Total faxed or called: 30
- III. Total responses: 22
- IV. Method
 - MTAM and DNR agreed on questions
 - Initial phone call to principal prior to fax
 - Legislation included with questionnaire
 - Percentages were averaged.
 - In the case of a range being indicated (i.e. 20-25%) a median figure was used
 - N/A indicates a difficulty in ascertaining a figure, or inability to access records



Marine Trades
Association of Maryland

LEGISLATIVE ALERT

We need to hear from you NOW

February 29, 1996

We need your help in determining certain economic impact issues. Please complete the following questionnaire and return by fax to the Marine Trades Association office (410-626-1940) no later than Monday, March 4. If you have any questions please contact Beth Kahr at the office (410-269-0741).

Company Name: _____

What percentage of your sales transactions involve an allowance for a trade-in? _____

What is the average percentage that the trade-in reduces the value of the purchase? _____

Does the fact that the trade-in value is not tax exempt result in loss of sales? _____

Please estimate the revenue loss: \$ _____ per year.

Would the exemption of trade-in value from the excise tax positively influence your business? _____

Please estimate this increase. \$ _____

Additional Comments:

Company Code	% of Trade-In Sales to Total Sales	% Trade-In Reduces Sale	Does Non-exempt Trade-In Policy Result in Loss Of Sales	Est. Annual Revenue Loss	Would Exemption Positively Impact Your Business?	Estimated Annual Revenue Increase
A.	1%	30%	Yes	40,000.	Yes	40,000.
B.	6%	25%	Yes	N/A	Yes	N/A
C.	50%	30%	Yes	N/A	Yes	250,000.
D.	39%	15%	Yes	200,000.	Yes	200,000.
E.	5%	16%	Yes	N/A	Yes	200,000.
F.	15%	20%	Yes	250,000.	Yes	250,000.
G.	10%	10%	Yes	N/A	Yes	100,000.
H.	70%	30%	"Not much"	N/A	Yes	5-10%
I.	5%	20%	Yes	N/A	Yes	100,000.
J.	5%	30%	"Not Really"	N/A	N/A	N/A
K.	80%	40%	Yes	2,000,000.	Yes	2,000,000.
L.	80%	30%	Yes	500,000.	Yes	500,000.
M.	80%	25%	Yes	1.5 Million	Yes	1-2 Million
N.	25%	25%	Yes	1.5-2 Million	Yes	5 Million
O.	40%	20%	Yes	500,000.	Yes	300,000.
P.	27%	25%	No	N/A	N/A	N/A
Q.	10%	20%	No	N/A	Yes	N/A
R.	23%	25%	Yes	100,000.	Yes	N/A
S.	30%	25%	Yes	50,000.	Yes	500,000.
T.	25%	25%	Yes	60,000.	Yes	60,000.
U.	8%	20%	N/A	N/A	N/A	N/A
V.	50%	28%	Yes	2-300,000.	Yes	5-700,000.

AVERAGE % OF TRADE-IN TO TOTAL SALES:

31.09%

AVERAGE THAT TRADE-IN REDUCES THE TOTAL SALE:

24.27%

ESTIMATED SALES INCREASE: \$11-12.2 MILLION

Exhibit IV

RHODE ISLAND MARINE TRADE ASSOCIATION REPORT ON THE SALES TAX REPEAL THIRD YEAR

June 1996

The State of Rhode Island repealed the Sales and Use taxes on boats three years ago on July 29, 1993. Since then, there has been a steady and rapid increase in the revenues of the marine trade businesses and in the number of people they employ. Some of last year's successes were the relocation to Rhode Island of Albin Yachts manufacturing from Connecticut, the relocation of Hood Enterprises Asian manufacturing, and the construction of 50,000 square feet of boat building and repair space in Portsmouth's Melville Marine area. Thus far, the trend for 1996 has continued in the same direction, with two more boat manufacturing companies seriously considering a move to the Ocean State.

As with last year, the success of the marine industries in creating jobs and growth following the repeal of the sales & use taxes is not a case of a rising tide (economy) lifting all ships. Unfortunately, the industry's experience is in sharp contrast to what is happening generally to the Rhode Island workforce. As indicated in Figure 1, since the repeal of the sales tax employment in the marine industry has increased by 57% while total employment in the state has declined by 2.9%.

Figure 2, contrasts the year-to-year changes in employment in the

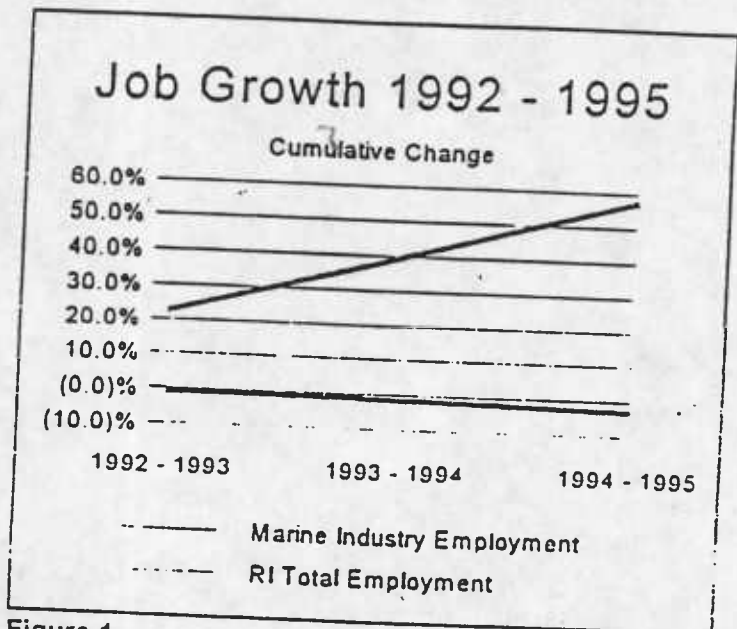


Figure 1

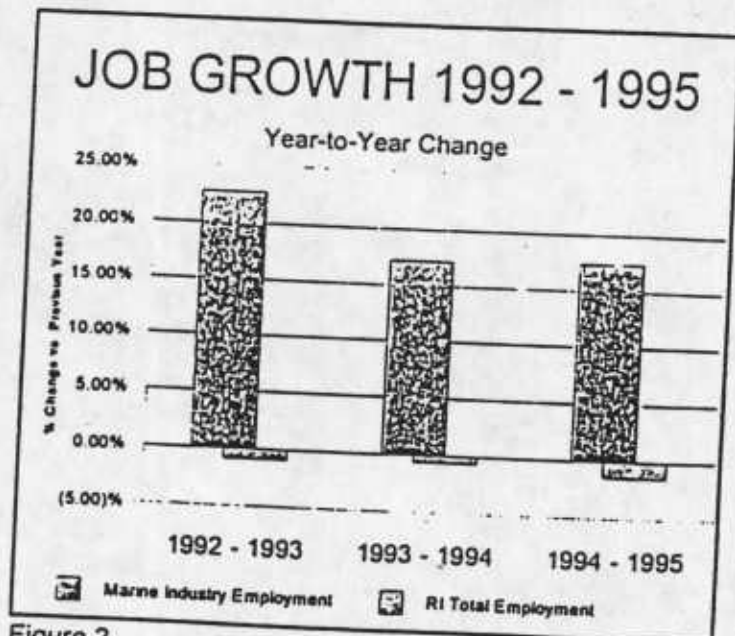


Figure 2

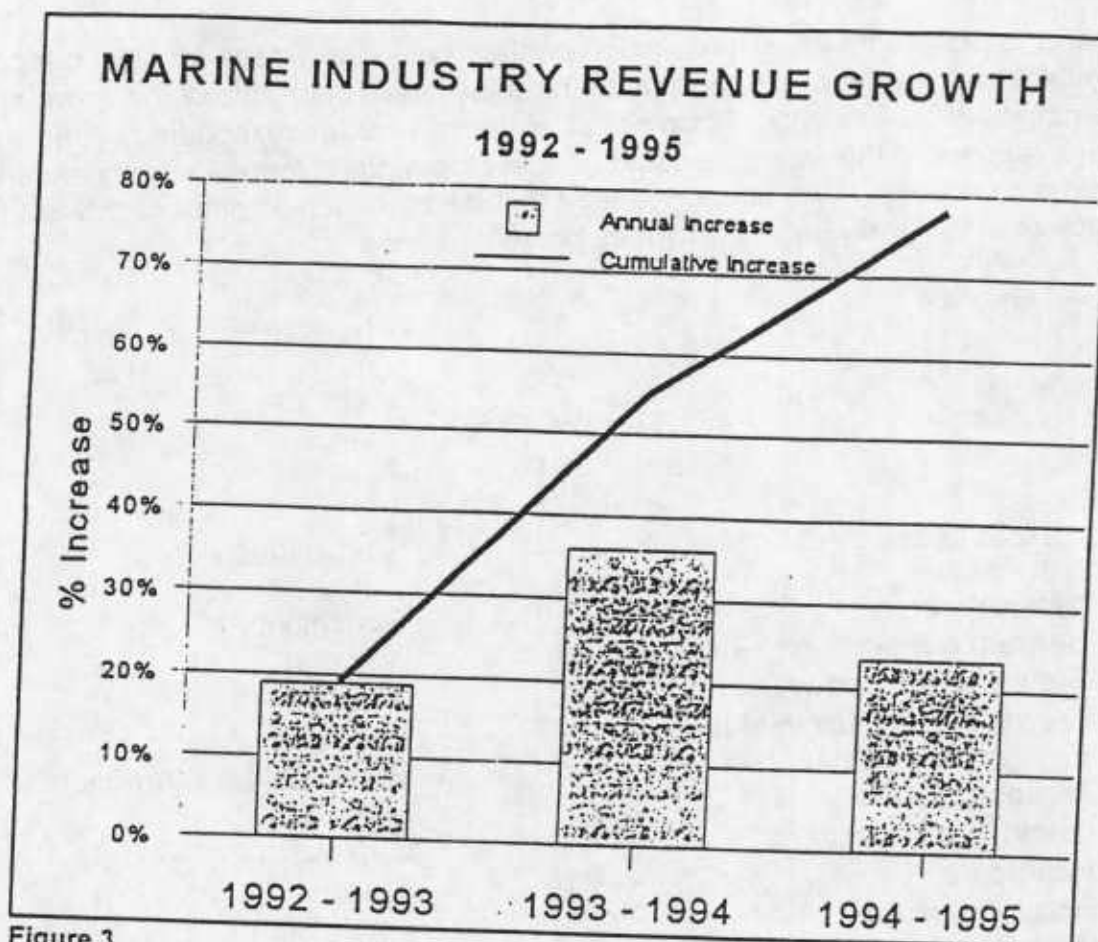


Figure 3

marine industries with that of the state as a whole. In 1995, employment in the marine industries grew by 17.4%, compared with a decline of 1.4% in total employment in the state. (Any declines in the unemployment rate during the three-year period have been due entirely to workers leaving the labor force or the state.)

The percentage increase in revenues for the industry in 1995 was 23.5%, slightly more than the increase in employment. Figure 3 indicates the percentage increase in revenues over the prior year for 1992 - 1995 on a year-to-year basis and on a cumulative basis. The overall revenue increase in revenues from 1994 to 1995 reported by the companies responding was about \$40 million. This compares with a \$32 million increase in 1994 over 1993 and \$19 million increase in 1993 over 1992 reported by responding companies last year.

Methodology

RIMTA again sent surveys to about 40 firms in the industry, of which 24 responded. The sample is relatively small, because most firms are privately held and are very

reluctant to provide financial information on their business. Based on all of our contacts in the industry, however, we believe the responses are indicative of the overall performance of the industry. Since not all of the companies responding in prior years' surveys responded this year, we could not develop a direct four-year comparison using the same companies. We have no reason to think that such a comparison would produce results any different from those presented here.

Partial List of Respondents

<u>Company</u>	<u>Location</u>
Alden Yachts	Portsmouth
Bartram & Brakenhoff	Newport
Brewer Street Boatworks	Newport
Brewer's Cove Haven Marina	Barrington
Eastern Yacht Sales	Portsmouth & Warwick
Freedom Yachts	Middletown
Greenwich Bay Marina	Greenwich
Hall Spars	Bristol
Hood Enterprises	Portsmouth
Ideal Windlass	E. Greenwich
J-Boats	Portsmouth
Megrew's Boats	Charlestown
Nautor Swan	Newport
New England Boatworks	Portsmouth
Newport Yachting Center	Newport
Northrop & Johnson	Newport
Shannon Boat Company	Bristol
Thurston Sails	Bristol
TPI, Inc.	Warren
Water Street Yacht Services	Warren

Exhibit V

GENERAL USE OF SPECIAL FUNDS

SPECIAL FUND OVERHEAD ALLOCATION - OFFICE OF THE SECRETARY

An allocation from all DNR special funds supports the administrative costs of a variety of executive and administrative services to the various DNR units such as the management of the funds, personnel, information, legal services, public policy development and public information outreach. The allocation is based on a special fund indirect cost rate that has been developed with the cooperation and approval of the State's legislative auditors and federal grant auditors. The rate is determined by calculating the percentage of direct to indirect salaries, wages and fringe benefits of the fiscal year appropriations just prior to the fiscal year request and is applied to the projected attainment for all special funds.

There are two exceptions to the allocation; the Ocean Beach Replenishment Fund which is excluded from the allocation because it is essentially an escrow account and the Program Open Space Fund which requires a separate calculation because of certain legal restrictions.

SPECIAL FUND ALLOCATION - LICENSING AND REGISTRATION SERVICE

An allocation is made from the special funds collected by LRS to support the activities associated with that collection. The revenue is derived from the taxes and fees charged for vessel titles and registrations (Waterway Improvement Fund and Boat Act Account), commercial fishing licenses (Fisheries Research and Development Fund), sport fishing licenses (State Fisheries Management & Protection Fund) and hunting licenses (Wildlife Management and Protection Fund).

GENERAL DIRECTION AND ADMINISTRATION -

The appropriate special fund supports administrative staff who provide direct services to their operational programs. This support covers staff salaries and operational expenses and, for example, pro rata shares of rent, insurance costs, association dues and other general administrative costs.

TITLE 8. WATERS

Subtitle 7. State Boat Act

§ 8-707. Waterway Improvement Fund - Established; purposes; appropriations; reports.

Any money received into the Waterway Improvement Fund shall be used solely for the following projects:

- (1) Marking channels and harbors and establishing aids to navigation in cooperation with and as an extension of operations of the United States Coast Guard;
- (2) Clearing debris, aquatic vegetation, and obstruction from waters of the State;
- (3) Dredging channels and harbors and construction of jetties and breakwaters in cooperation with and as an extension of operations of the United States Army Corps of Engineers;
- (4) Constructing and maintaining marine facilities beneficial to the boating public, including constructing pump-out stations for use by the general boating public at public and private marinas. The Secretary may use the funds to install pump-out stations for use by the general boating public and to supplement maintenance costs at the discretion of the Secretary. Before approving the construction of any pump-out station at a public or private marina, the Secretary shall consult with the Department of the Environment to assure that the wastewater collection and treatment system of the marina is adequate to handle any increased flow. The Department may adopt regulations to govern the use and operation of pump-out stations for use by the general boating public constructed or supported by State funds under this section;
- (5) Improvement, reconstruction, or removal of bridges, drawbridges, or similar structures over or across waters, if those structures delay, impede, or obstruct the boating public. With the approval of the Board of Public Works, funds from another public or any private source may be received and used to supplement and increase the funds in the Waterway Improvement Fund for the purpose of this subsection. Also, the Board of Public Works may enter into an agreement with a private company or person which owns such a structure, for the improvement, reconstruction, or removal of the structure, in order to provide a sharing of the cost of the improvement, reconstruction, or removal;
- (6) Evaluation of water-oriented recreation needs and recreational capacities of Maryland waterways and development of comprehensive plans for waterway improvements;
- (7) To provide matching grants to local governments for the construction of marine facilities for marine firefighting, marine police, or medical services and for the acquisition of vessels and equipment for vessels for marine firefighting, police, medical, and communication equipment for promoting safety of life and property and general service to the boating public utilizing the waters of the State. The ownership, operation, and maintenance of any equipment acquired under this subtitle shall be the responsibility of the local governing body;
- (8) Structural and nonstructural shore erosion control under subsection (b) of this section;

- (9) Acquisition of equipment and State vessels for firefighting, policing, first aid and medical assistance, and communications, in order to promote safety of life and property and general service to the boating public utilizing waters of the State;
- (10) Boating information and education; and
- (11) To provide interest-free loans to a governing body for the benefit of a residential property owner, or group of residential property owners, with land abutting a channel adjacent to a federal, State, county, or municipal main channel or harbor for dredging the adjacent channel.

Moneys from the Waterway Improvement Fund may be appropriated for structural and nonstructural shore erosion control projects under Subtitle 10 of this title, provided that the funds appropriated in any fiscal year do not exceed 15% of the total excise tax revenues, exclusive of loan repayments, attained by the Waterway Improvement Fund in the preceding fiscal year; and are only expended for projects that address shoreline areas where:

- (i) Significant erosion is being caused by a combination of boat traffic and other factors, including:
 - 1. An exposed point of land or shore in a narrow creek or cove;
 - 2. Shore composition of easily erodible soils;
 - 3. A steep, seaward, near-shore slope; or
 - 4. A high rate of boating traffic passing close to the shore;
- (ii) The shoreline has the following characteristics:

- 1. Evidence of erosion is clearly visible; and

- 2. Proximity to navigable waters where dredging responsibility is not clearly accepted by the federal government; or
- (iii) Erosion has been significantly increased due to the construction or replacement of public waterway improvement structures.

The Department may expend in any fiscal year a total sum of not more than \$125,000 for small projects under § 8-707 (3) and (4) of this subtitle subject to the limitation that a single project of this kind may not exceed \$5,000 in cost, and a sum of not more than \$100,000 may be expended for boating safety and education.

The Department may propose in its annual budget, beginning with the fiscal year 1994 budget, an appropriation of not more than \$1,000,000 from the Waterway Improvement Fund to support marine operations in the Natural Resources Police.

WATERWAY IMPROVEMENT FUND

WATERWAY IMPROVEMENT -

The Waterway Improvement Fund supports the engineering, construction and maintenance of boating related projects on public lands. Funding is provided as grants to local governments in the form of 100% dredging grants, 100% local grants not to exceed \$50,000, 50/50 matching grants, 100% local grants not to exceed \$5,000 and 100% state grants for projects on DNR lands. Supports is also provided for critical channel dredging services and debris removal to keep Maryland's waterways accessible and navigable for recreational and commercial boaters.

ENGINEERING AND CONSTRUCTION -

Supports engineering, design and project management services for waterway improvement projects located on lands owned by the Department. Also, in-house construction and technical services to complete navigational and boating access projects for local jurisdictions.

WATERWAY RESOURCES -

Supports waterway related projects of Maryland's Chesapeake Bay Program such as grants to marinas to install pump-out facilities, studies on the restoration of Assateague Island and habitat restoration for coastal bays and technical service and education for local governments on the implementation of best management practices to reduce non-point source pollution to the Chesapeake Bay. The projects improve water quality and aquatic habitats and directly benefit all users (commercial shipping, boaters, fishermen, swimmers, tourists).

NATURAL RESOURCES POLICE -

The Fund supports Natural Resources Police personnel, equipment and services that ensure the safety of boaters using Maryland's waters and programs such as waterway search and rescue operations, enforcement of boating laws, accident prevention programs such as SWAMP (Safer Waterways through Alcohol Monitoring Patrols), boating safety classes that reach approximately 5,500 students annually, special boating safety education programs in schools promoting the use of PFD's and safety education programs for personal watercraft users. Programs include Waterwise, PFD Panda and Captain Seaveed which target youth and the wearing of lifejackets. Equipment and vessels are purchased for firefighting, policing, first-aid and medical assistance. WWI also supports the NRP's Hydrographic Operations Division that maintains and operates vessels dedicated to the placement of navigational and regulatory aids (buoys and signs) statewide and to the providing of icebreaking services for commercial users.

SHORE EROSION CONTROL -

Supports the construction of non-structural shore erosion control projects that reduce the need for costly dredging, create aesthetically pleasing natural shoreline views and establish beneficial habitats for aquatic life and waterfowl.

FOREST AND PARK SERVICE -

Supports the management of boating access facilities in the parks such as launching ramps, fish cleaning stations and associated restrooms and parking lots. It also supports services for popular boating events such as bass fishing tournaments.

TITLE 8. WATERS

Subtitle 7. State Boat Act

§ 8-723. Disposition and use of fees and other revenues by Department.

Any fee and other revenue the Department collects under authority of this subtitle, and any other available income shall be used exclusively for the administration, functions, and objectives of this subtitle. The Department may use the funds to purchase, rent, and operate any equipment necessary to accomplish the purposes of this subtitle, within budgetary limitations. Subject to available income, the Department may employ necessary personnel subject to the provisions of the State Personnel and Pensions Article that govern classified service employees.

Within the limits of funds available, the Department may enter into any agreement with the federal government, any municipality or other political subdivision of the State, or any private agency to share the cost of any development, construction, or improvement of waterways or of facilities determined to have beneficial value to the boating public.

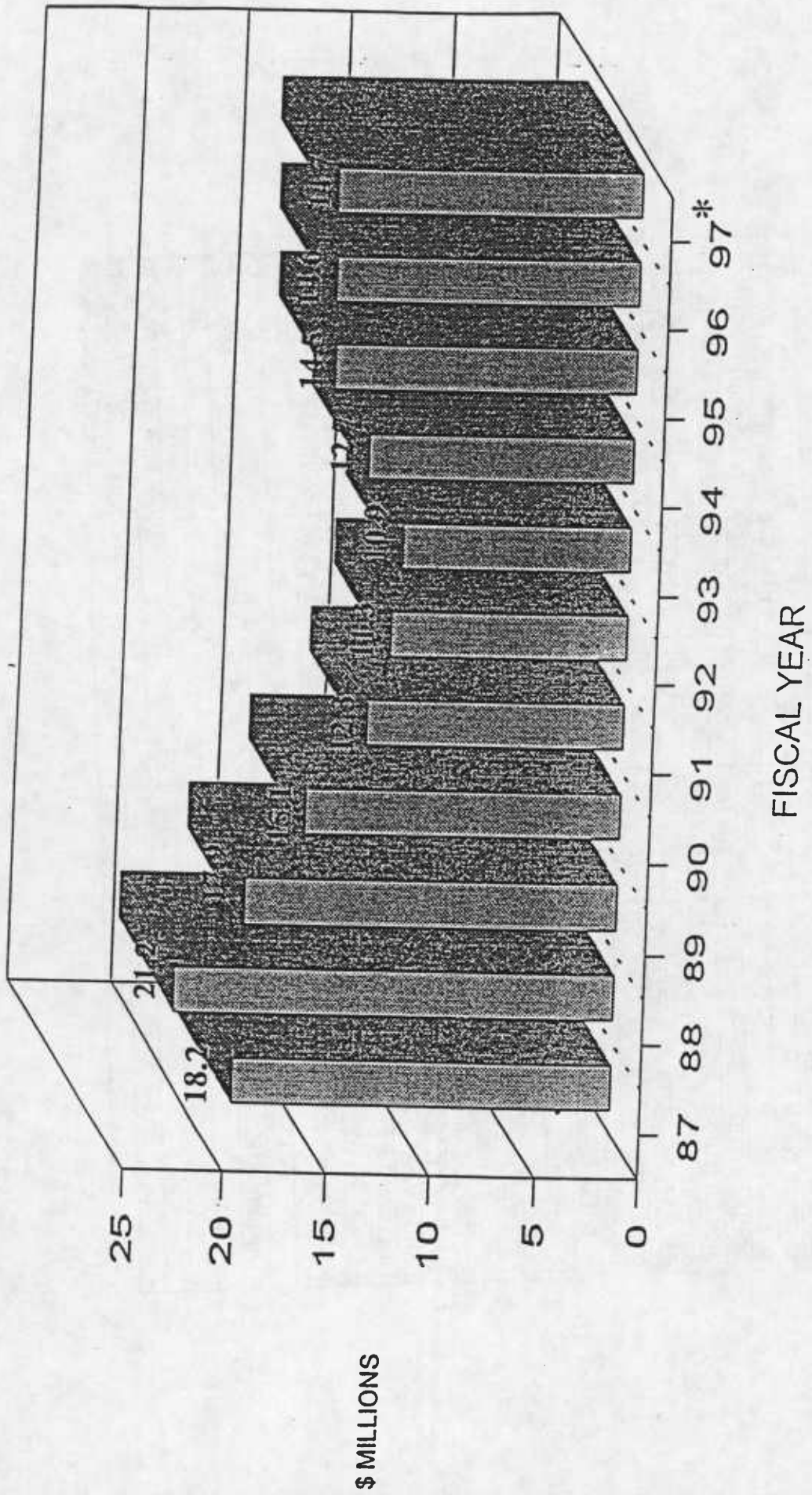
Notwithstanding any other provision of this section, the Department shall deposit, in accordance with the provisions of § 8-723 of this subtitle, up to \$350,000 of funds from the excise tax levied under this section and as appropriated in the State budget, to be used for enforcement of the State Boat Act, including collection of the excise tax levied under this section.

DEPARTMENT OF NATURAL RESOURCES

WATERWAY IMPROVEMENT FUND	FY'92	FY'93	FY'94	FY'95	FY'96
REVENUE SOURCES:					
EXCISE TAX RECEIPTS					
INTEREST & PENALTY	\$11,300,572	\$10,885,082	\$12,656,550	\$14,677,133	\$14,479,004
CANCELLED ENCUMBRANCES	\$126,132	\$126,563	\$177,734	\$166,469	\$133,186
OTHER/ADJUST.	\$3,618,450	\$3,335,429	\$469,374	\$422,144	\$1,605,985
TRANSFERS:	\$10,224	\$22,550	(\$122,481)	(\$1,077,467)	\$532,548
GASOLINE TAX RECEIPTS	\$1,278,577	\$1,298,333	\$1,551,839	\$1,358,990	\$1,616,806
BOAT ACT ACCOUNT	(\$350,000)	(\$350,000)	(\$350,000)	(\$350,000)	(\$350,000)
COMPTROLLER'S OFFICE	(\$225,000)	(\$225,000)	(\$225,000)	(\$225,000)	(\$225,000)
GENERAL FUND	(\$6,000,000)	(\$500,000)	\$0	\$0	\$0
TOTAL REVENUE	\$9,758,955	\$14,592,957	\$14,158,016	\$14,972,269	\$17,792,529
EXPENDITURES:					
BOATING ADMINISTRATION					
WATERWAY IMPROVEMENT	\$9,392,172	\$6,294,017	\$6,142,393	\$0	\$0
GENERAL ADMINISTRATION	\$690,068	\$656,235	\$728,164	\$0	\$0
PLANNING & POLICY	\$885,060	\$490,824	\$561,562	\$0	\$0
LAND & WATER CONSERVATION SERV.					
RESOURCE PLANNING	\$0	\$0	\$0	\$0	\$69,187
PROGRAM OPEN SPACE	\$0	\$0	\$0	\$1,330,532	\$927,372
OPERATIONS				\$71,917	\$57,118
ENGINEERING & CONSTRUCTION	\$0	\$0	\$0	\$1,945,016	\$3,150,126
WATERWAY & CAPITAL PROJECTS	\$0	\$0	\$0	\$5,461,127	\$4,258,631
CHESAPEAKE & COASTAL WATERSHED					
GENERAL DIRECTION	\$0	\$0	\$0	\$0	\$14,569
WATERSHED MGMT. & ANALYSIS	\$0	\$0	\$0	\$62,675	\$30,000
WATERWAY RESOURCES	\$0	\$0	\$0	\$504,772	\$434,427
OPERATIONS SUPPORT	\$0	\$0	\$0	\$51,174	\$49,918
NATURAL RESOURCES POLICE	\$551,939	\$1,791,694	\$1,657,390	\$4,441,013	\$5,979,775
SHORE EROSION CONTROL	\$0	\$0	\$340,429	\$575,343	\$0
FOREST & PARK SERVICE	\$0	\$285,000	\$245,670	\$244,991	\$523,465
CONSERVATION EDUCATION	\$0	\$0	\$0	\$45,565	\$56,000
LICENSING & REGISTRATION SERV.	\$706,798	\$706,796	\$959,773	\$1,417,894	\$1,670,891
OFFICE OF THE SECRETARY	\$545,889	\$604,550	\$433,564	\$355,458	\$781,723
TOTAL EXPENDITURES	\$12,771,926	\$10,829,116	\$11,068,945	\$16,507,477	\$18,003,202
FUND BALANCE	(\$1,505,162)	\$2,258,679	\$5,347,750	\$3,812,542	\$3,601,869

[illegible]

BOAT EXCISE TAX COLLECTION 1987 - 1997



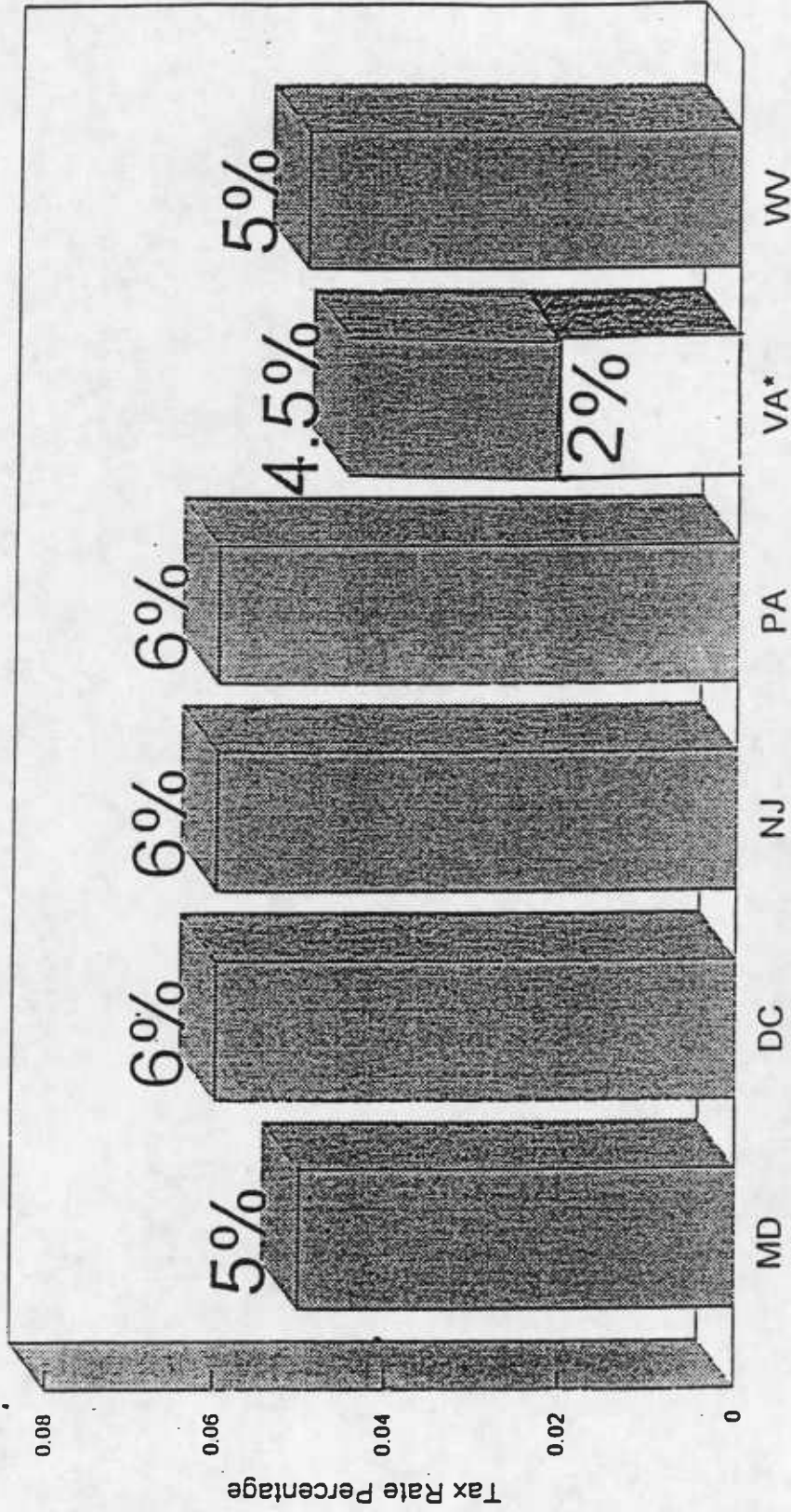
* Projected

AUGUST 1996

MIEDTF Meeting I; 8/28/96

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COMPARISON OF BOAT TAX RATES



- *Virginia - 2% rate for all motorized vessels 15' or longer with 25hp or more
- 4.5% rate for vessels under 15' with less than 25hp (i.e. Jet Skis)
- There is also an annual personal property tax levied by the counties up to \$3.60 per hundred dollars of value of boat.

Delaware = NO TAX

July 96

Exhibit VI

Memorandum

To: Members, Marine Industry Economic Development Task Force
From: Bruce A. Gilmore
Re: Vessel Excise Tax-"State of principal use"

At the August 28 meeting of the Task Force, questions were raised about the term "principal use" as it relates to the assessment of the vessel excise tax. I have attached a copy of the pertinent sections of the Maryland Annotated Code which bear on the vessel excise tax. I call to your attention Section 8-701 (n) where the term "State of principal use" is defined, Section 8-701 (p) where "use" is defined, Section 8-701 (q) where "vessel" is defined and Section 8-716 (a)(3) where "used principally in this State" is defined and where the exemption from the excise tax for maintenance or repair is found.

In any discussion of the interpretation of these sections of the State Boat Act, it is important to keep in mind that no one in the Department of Natural Resources can say definitively if vessel excise tax would be assessed or would be owed when presented with a hypothetical fact situation. What we can do is give some sense of how, in general, the above provisions will be applied. As a further caution, one should also read carefully Sections 8-716 and 8-716.1 in their totality to understand how the Maryland General Assembly directed that the vessel excise tax be collected.

With the above in mind, it can be said that there are three threshold inquiries which will be made as the Department implements the direction from the Maryland General Assembly to collect the vessel excise tax:

1. Is the vessel a vessel subject to the excise tax?
2. Is the vessel in "use" in Maryland pursuant to Section 8-701 (p)?
3. Is the vessel used in Maryland most of the calendar year?

In addition to the above threshold inquiries there is a general statement which can be made about the various state boating laws and that is that every vessel using the waters of the United States has a state of principal use. Each state may tax vessels differently (or not at all) but each state can assert that its waters are those used most of the calendar year by a particular vessel as it applies whatever tax it has to that vessel or as it applies other boating laws.

From the above inquiries and the general statement, flow all other questions or issues which must be dealt with before vessel excise tax liability is determined.

Exhibit VII

Number of Documented Boats in Maryland Owned by Out-of-State Residents

DC	1990	1991	1992	1993	1994	1995
DEL	259	247	235	218	212	203
NJ	322	329	322	323	325	331
PA	340	370	379	379	380	374
VA	1335	1429	1494	1526	1564	1565
WVA	1068	1099	1076	1071	1058	1021
	6	9	9	7	9	10

September 96

MIEDTF Meeting II; 9/24/96

Exhibit VIII

MARINE INDUSTRY ECONOMIC DEVELOPMENT TASK FORCE

Marketing Committee Report

DRAFT

INTRODUCTION

The Marine Economic Development Task Force was formed as a result of legislation introduced to the General Assembly during the 1996 session.

As originally drafted, HB 1358 would have exempted the value of a trade-in from the vessel excise tax. As amended, the legislation called for the formation of this task force to include the Secretary of the Departments of Natural Resources and Business and Economic Development, four members recommended by the Marine Trades Association of Maryland, and one member each from the sportfishing industry, the Maryland Tourism Development Board and a representative from the general public.

The bill received unanimous support in the House and a favorable report from the Senate committee, but was not brought to a final vote as time ran out during the final hours of the session.

Representatives of MTAM, DNR and DBED acted in the spirit of the legislation and coordinated a Task Force charged with recommending strategies to:

- 1) address issues related to the state boat excise tax,
- 2) evaluate the state's recreational boating economic competitiveness with other states, and
- 3) developed a marketing plan designed to promote, sustain, and expand the state's boating economy.

This document has been prepared by the Marketing Sub-committee of the Task Force and offers recommendations related to promotion of the marine industry and associated tourism activity.

SITUATION ANALYSIS

- * Marine related businesses in Maryland account for \$ 1 billion in general goods and services and employs 18,500 tax payers throughout the state. The marine trades industry is the third largest in the state behind retail and tourism.
- * Current growth of this industry sector is flat, and has been for the past three years. ('93-'95)
- * Industry representatives are concerned that other states have implemented incentives that put Maryland at a competitive disadvantage. (See examples)
- * Market studies have shown that the water related natural resources associated with the Chesapeake Bay is one of our most recognized attributes for attracting potential visitors to the state.
- * An opportunity is presented to utilize recognized resources to broaden the awareness of our natural/ cultural maritime heritage and increase boating related economic impact to bolster the State economy.

GOALS/ OBJECTIVES

- * Generate measured growth in the industry from out-of state residents in addition to, sustaining and increasing current resident boating related business.
 - Increase in-state sales of both new and used boats.
 - Increase demand for related services.
 - Increase visitor traffic via the waterways.
- * Motivate out of state boaters to choose Maryland's boating services and facilities as a preferred alternative to those in other states.
- * Motivate consumers from being aware of Maryland's water related resources to being active participants in marine related activities.

STRATEGIES

- * Identify and reduce impediments and perception of impediments and, pro-actively promote our related assets and advantages
- * Promote water related natural resource experiences and opportunities, including:
 - schools
 - charter vessels/ fishing, boating, touring
 - the water itself/ quality, variety, expanse
 - emphasize the "water"side of tourism
 - emphasize "family" activity
- * Promote Maryland's boating heritage.
 - Call attention to various historical building techniques and related destinations.
 - Underscore the concept of interest in boating activities being shared over generations.

IMPLEMENTATION

While it is desirable to sustain and increase resident boating related business, limitations on funding available for promotional efforts may deem it necessary to prioritize target markets. Attracting out-of-state consumers should be a primary target market because their expenditures will bring an infusion of "new" dollars and grow the State's economy, and resident dollars are only recirculated.

The primary target market has been suggested to be an audience in the Mid-Atlantic from Connecticut to North Carolina, with an extended reach into Florida to pull from the large base of potential transient boaters based in that state. Market research has shown that concentrating a message in south eastern region of Pennsylvania and northern Virginia markets may also yield results for generating potential out-of-state boating related expenditures in Maryland. Currently, the largest number of documented boats in Maryland owned by out-of-state residents are registered by residents of these two states.

There are three divergent messages that should be utilized in related marketing and promotion:

1. Destination Generic

This theme will promote the opportunity to see, do and experience boating related activities on and around the Chesapeake Bay watershed.

2. Value to the Boater

This theme promotes the numerous, diverse sales and service businesses in the state which makes convenient shopping and competitive service fees an incentive for the consumer to spend in Maryland.

3. Maritime Heritage

This theme promotes the concept that generations have experienced boating on Maryland waterways, that there is a tradition of boat building woven throughout the state's history and that there are attractions at destinations all over the state to see, learn and be part of this cultural heritage.

Serious consideration should also be given to the manner in which principal ownership regulations are enforced. It is important to encourage regulators to recognize their role as ambassadors of the state's waterways and to carry out their responsibilities with hospitable demeanor, so that our "customers" will continue to want to purchase our marine related "products".

The sub-committee discussed potential funding sources for all promotional initiatives and concluded that it would be important to find a consistent source of revenues to maintain presence with our message. It was suggested that consideration be given to setting a percentage of Water Way Improvement Funds aside each year to be used for this purpose and channeled to the Maryland Tourism Development Board to coordinate related marketing activities.

ADVERTISING

The committee recommends that the Maryland Office of Tourism Development incorporate boating related activity themes in their FY'98 advertising campaign and promotional efforts. County level awareness of the importance of promoting marine related activities and related public private partnerships should be encouraged through the Maryland Association of Destination Marketing Organizations (MADMO). Service related promotional messages could be coordinated and placed through a cooperative campaign coordinated by the Marine Trades Association of Maryland (MTAM).

The Committee recommends placement of messages in certain mediums including magazine, newspaper and cable television. Some specific suggested media vehicles include:

Magazines/	
Soundings	Boating
Cruising World	Power & Yacht Magazine
Coastal Cruising	Sail Magazine
Chesapeake Bay Magazine and affiliated NE Publication "Offshore"	

IMPLEMENTATION (cont.)

Newspaper/

USA Today Travel Brochure Pages

Wall Street Journal

Publications/

Waterway Guide

Waterway Facilities Guide

Also research other Northeast Regional boating publications that would produce results.

Television/

The heritage message is especially appropriate for this medium. Campaigns should be concentrated in Northeast Regional markets on channels that offer family oriented programing like the Discovery Channel or the History Channel.

PROMOTIONAL PUBLICATIONS

A fulfillment piece should be produced to serve as a destination guide for people traveling on the waterways versus the highways. This would be a good opportunity to foster a private public partnership and does not necessarily have to be in competition with similar existing publications. The "Greater Ft. Lauderdale Marine Guide" produced by the Greater Fort Lauderdale Chamber of Commerce is a good example that includes editorial, charts, bridge schedules, maps and a scenic waterway tour.

A port to port "Travelogue" could be developed as a promotion. Distributed at boat shows, it would encourage boaters to explore destinations around the Bay with incentives connected to using certain businesses. Boaters could turn in their "validated" logue book to win prizes.

TRADE SHOWS

A cooperative show presence, under a "Boat Maryland" banner*, should be coordinated by OTD. Show coverage should reach beyond the Baltimore, Washington and Philadelphia marketplaces to markets where local industry representatives do not normally make the financial and personnel time investment to attend, for example: Sail Expo, Newport, New York City and Florida Boat Shows.

Shows attendance by various divisions of the Department of Natural Resources (DNR) should promote the joys of boating on Maryland waterways as well as the related rules, regulations and safe boating practices.

* Ex. Ontario at Harrisburg Show

PUBLIC RELATIONS

Because there are so many possible choice locations to have boats maintained and serviced within close proximity of each other, the rates at Maryland businesses that perform these kinds of services are much more competitive/affordable for consumers, compared to other popular locations in the Mid-Atlantic region. ("So Much, So Close") Nationally recognized facilities like Osprey, Crocket Bros., and Oxford Boat Yard are state of the art, and quality work is not unusual in Maryland boat yards.

This message should be coordinated by MTAM with help from OTD to cultivate relationships with, and maintain a data base of, writers and editors of publications where this message could be appropriately released. Production of Press Kits and organized Familiarization Tours would also be valuable implementation tools.

DIRECT MAIL PROMOTIONS

There are many cruising clubs, sailing associations and organizations that coordinate rendezvous events for boaters which could be invited via a direct mail campaign to hold their event on the Maryland waters. Incentives could be offered and county Destination Marketing Organizations could be asked to coordinate with businesses in their jurisdiction to provide related cooperative support.

BIOSPHERICS CONNECTION

OTD should include MTAM member businesses in the data base listing that is utilized in response to customer inquiries generated by state marketing initiatives.

RESULTS & EVALUATION

As part of this plan the committee will attempt to establish ways to demonstrate a potential increase in out-of-state related boating related expenditures.

The following benchmarks have been determined to provide indicators of the results of marketing and promotion and assist in determining the return on related funds invested:

- 1) MTAM/ annual Economic Impact Evaluation updated annually.

RESULTS & EVALUATION (cont.)

- 2) DNR/ Boat Registrations, Licenses and Taxes Collected.
- 3) MCA/ Charter Booking Services: Amusement Tax, Estate Sales Tax, License Fees.
- 4) Boating Schools/ Enrollment Figures, Fees (gross income), License Fees

2

Exhibit IX

SHIFTING THE COST OF BOATING SERVICES FROM BOAT BUYERS TO BOAT USERS With Constant Dollar Yields

Data

Registrations:		Revenues:
Less than 16'	79,723	Excise Tax
16' to <26	86,289	State Boat Act
26 to <40	25,549	Total
40 to <65	3,088	
65 and up	44	
	<u>194,693</u>	
		Imputed Sales
		\$290,000,000

Possible Alternatives

	Schedule "A":	Total:	Schedule "B":	Total:
Less than 16'	\$20	\$1,594,460	\$20	\$1,594,460
16' to <26	\$30	\$2,588,670	\$65	\$5,608,785
26 to <40	\$75	\$1,916,175	\$155	\$3,960,095
40 to <65	\$150	\$463,200	\$400	\$1,235,200
65 and up	\$300	\$13,200	\$525	\$23,100
		<u>\$6,575,705</u>		<u>\$12,421,640</u>

Total Dollars Required	Schedule "A"	\$16,632,700	\$16,632,700
Excise Tax Dollars Required	Schedule "B":	(\$6,575,705)	(\$12,421,640)
		<u>\$10,056,995</u>	<u>\$4,211,060</u>
Excise Tax for CONSTANT DOLLAR YIELD:		3.47%	1.45%

NATIONAL BOAT REGISTRATION AND TITLE FEES

Alabama (non-title)	0 - less than 16' 16' - less than 26' 26' - less than 40' 40' and over	\$12.00 Yearly \$16.00 Yearly \$31.00 Yearly \$51.00 Yearly	
Alaska (non-title)	All vessels	\$ 6.00 3 Years	
Arizona (non-title)	* Basic registration fee resident ** Basic registration fee non-resident * in addition .45 cents a foot up to 18 feet * In addition .68 cents a foot over 18 feet ** In addition \$1.25 a foot up to 18 feet ** In addition \$2.75 a foot over 18 feet	\$ 4.00 Yearly \$10.00 Yearly	
Arkansas (non-title)	0 - less than 16' 16' - less than 26' 26' and over	\$ 6.00 \$12.00 \$18.00	} Every 2 years
California Title \$9 and \$37	All vessels \$5.00 plus personal property tax Title - original certificate of number and title \$9.00 Title- original certificate of number for vessels previously registered in another state \$37	Yearly	
Colorado (non-title)	Vessels 20 feet or more in length	\$20.25 Yearly	
Connecticut (non-title)	54 different fees based on length - (i.e., less than 12 feet \$7.50 and 65 feet or over \$525.00 annually) (SEE ATTACHED)		
Delaware (non-title)	0 - less than 16' 16' - less than 26' 26' - less than 40' 40' - less than 65' Over 65'	\$10.00 1yr/\$30 3 yrs \$20.00 1yr/\$60 3 yrs \$30.00 1yr/\$90 3 yrs \$50.00 1yr/\$150 3 yrs \$60.00 1yr/\$180 3 yrs	
District of Columbia Title \$5.00	0 - less than 16 feet 16' but no greater than 26' Over 26' but less than 40' Over 40 feet in length * rates effective 11/96	\$15* Yearly \$25* Yearly \$35* Yearly \$45* Yearly	

Florida Title \$5.25 and \$9.25	Under 12 ft and motorized canoes	\$6.75 Yearly
	12' or more and less than 16'	\$13.75 Yearly
	16' or more and less than 26'	\$21.75 Yearly
	26' or more and less than 40'	\$53.75 Yearly
	40' or more and less than 65'	\$85.75 Yearly
	65' or more and less than 110'	\$101.75 Yearly
	110 feet or more	\$125.75 Yearly
	Original Title fee for residents	\$5.25
Georgia (non-title)	Out-of-State Registered Vessel	\$9.25
	0 - less than 16 feet	\$15.00 every 3 years
	16 feet to 26 feet	\$36.00 every 3 years
	26 feet to 40 feet	\$90.00 every 3 years
	40 feet and up	\$150.00 every 3 years
*Add Marine Toilet Certificate \$5 to all registrations		
Hawaii (non-title)	20 feet or less in length	\$20.00 Yearly
	Vessels more than 20 feet	\$15.00 Yearly
Idaho (non-title)	Vessels up to 12 feet in length	\$7 Yearly
	Vessels over 12 feet in length	\$7 plus \$2 per foot for each addtl. ft in excess of 12 feet
Illinois Title \$7	Class A-all canoes & kayaks	\$6 every 3 years
	Class 1- less than 16 ft (excluding canoes & kayaks)	\$16 every 3 years
	Class 2- 16' or more less than 26'	\$19 every 3 years
	Class 3- 26' or more less than 40'	\$22 every 3 years
	Class 4- all watercraft 40' or more	\$25 every 3 years
Indiana Title \$9	Vessels 15 feet in length and less	\$12 Yearly
	Vessels over 15' less than 26'	\$14 Yearly
	Vessels over 26' less than 40'	\$17 Yearly
	Vessels over 40'	\$22 Yearly
Iowa Title \$10	No motor/No sail-any length	\$5 Yearly
	Less than 12 ft in length	\$8 Yearly
	12 ft to but less than 15 ft	\$10 Yearly
	15 ft to but less than 18 ft	\$12 Yearly
	18 ft to but less than 25 ft	\$18 Yearly
	25 feet or more	\$28 Yearly
	Documented any length	\$25 Yearly

Kansas (non-title)	All vessels	\$18.50 every 3 years
Kentucky Title \$6	Less than 16 ft in length Over 16 ft but less than 26 ft. Over 26 ft but less than 40 ft. 40 feet and over	\$11 yearly \$15 \$21 \$25
Louisiana (non-title)	All new boats Renewals	\$15 for 3 years \$10 for 3 years
Maine (non-title)	All vessels	\$4 yearly
Maryland Title \$5	Vessels 16 ft or less powered by 7.5 hp or less Vessels over 16 ft/or motor 7.5hsp and larger Documented Vessels	Free \$24.00 every 2 years \$10.00 every 2 years
Massachusetts Title \$15	All vessels	\$30 every 2 years
Michigan Title \$5	15 day temporary permit Nonpowered vessels, except canoes 16 ft in length or longer Motorboats less than 12 ft Motorboats 12 ft less than 16 ft Motorboats 16 ft over less than 21 feet Motorboats 21 ft or over less than 28 feet Motorboats 28 ft or over less than 35 feet Motorboats 35 ft or over less than 42 feet Motorboats 42 ft or over less than 50 feet Motorboats 50 ft and over	\$10 every 3 years \$8.25 every 3 years \$14.00 every 3 years \$16.75 every 3 years \$41.75 every 3 years \$90.00 every 3 years \$168.00 every 3 years \$244.00 every 3 years \$280.00 every 3 years \$448.00 every 3 years
Minnesota Title \$15.00 + 3.25 filing fee	Canoes, kayaks, sailboats, sailboards and rowing shells Less than 19 feet 19 ft to less than 26 ft 26 ft to less than 40 ft 40 feet or longer	\$7 every 3 years \$12 every 3 years \$20 every 3 years \$30 every 3 years \$40 every 3 years
Plus: Surcharge on watercraft for control of purple loosestrife, Eurasian Water milfoil and zebra mussels \$5.00		
Mississippi (non-title)	0- less than 16' 16'- less than 26' All boats over 26'	\$5.00 for 2 years \$15.00 for 2 years \$30.00 for 2 years

Missouri Title \$7.50	0 -less than 16' 16' - less than 26' 26' - less than 40" 40' and over	\$10 every 3 years \$20 every 3 years \$30 every 3 years \$40 every 3 years
Montana Title \$6.00	10' but less than 14' 14' but less than 16' 16' but less than 17' 17 ft but less than 19ft is \$3.00 a foot 19 ft or longer \$ 4.00 a foot	\$7.50 yearly \$15.00 yearly \$32.00 yearly
Nebraska (Non-titling)	Vessels under 16' 16' but less than 26' 26' but less than 40' 40' and over	\$17 every 3 years \$32 every 3 years \$47 every 3 years \$77 every 3 years
Nevada Title \$5.00	Less than 13 feet 13' or more less than 18' 18' or more less than 22' 22' or more less than 26' 26' or more less than 31' 31 feet or more	\$10.00 yearly \$15.00 yearly \$30.00 yearly \$45.00 yearly \$60.00 yearly \$75.00 yearly
New Hampshire (non-title)	67 different registration fees from \$18.80 to \$293.60 YRLY (SEE ATTACHED)	
New Jersey Title \$20	Less than 16 ft 16ft but less than 26ft 26ft to 40ft 40ft to less than 65ft 65 ft or more	\$6 .00 yearly \$14.00 yearly \$26.00 yearly \$ 40.00 yearly \$125.00 yearly
New Mexico Title \$10	vessels under 16 ft 16ft to less than 26ft 26ft to 40ft 40ft to less than 65ft over 65ft	\$28.50 every 3 years \$36.00 every 3 years \$43.50 every 3 years \$51.00 every 3 years \$66.00 every 3 years
New York Title \$5	Less than 16ft 16ft but less than 26ft 26ft and over	\$9 Yearly \$18 Yearly \$30 Yearly
North Carolina Title \$20.00	All Boats	\$20 for 3 years

North Dakota
(non-title)

Motorboats under 16ft and all canoes
regardless of length, powered by a motor
Motorboats 16' but less than 20'
Motorboats 20' or over

\$9 every 3 yrs
\$21 every 3 yrs
\$30 every 3 yrs

Ohio
Title \$3

Under 16 ft and motorized
16ft to but less than 26 ft
26ft to but less than 40 ft
40ft to but less than 65 ft
65 feet and over

\$12 every 3 yrs
\$33 every 3 yrs
\$48 every 3 yrs
\$68 every 3 yrs
\$93 every 3 yrs

Oklahoma
Title \$2.25

Vessel and outboard motors in excess of (yrly)
10hp fee is based on Manufacturer's suggested Retail Price - New vessels
\$1.00 +1.00 per 100.00, not to exceed \$150 (yrly)

Oregon
Title

Under 12 ft
16ft to 21 ft
each additional foot \$2.00

\$11.00 2yrs
\$21.00 2yrs

Pennsylvania
Title \$15
effective
1997

Unpowered any length
Boats less than 16 ft
Boats 16' but less than 20'
Boats 20 feet and larger

\$10.00 2yrs
\$20.00 2yrs
\$30.00 2yrs
\$40.00 2yrs

Rhode Island
Title \$10

Under 16 feet
16 ft to 20 ft
21 ft to 25 ft
26 ft to 35 ft
36 ft to 40 ft
41 ft to 46 ft
46 ft to 50 ft
over 50 ft

\$15.00 yearly
\$20.00 yearly
\$30.00 yearly
\$50.00 yearly
\$125.00 yearly
\$150.00 yearly
\$200.00 yearly
\$300.00/yrly

South Carolina
Title \$3

All Boats

\$10.00/3yrs

South Dakota
Title \$5

Non-motorized boats over 12 ft and boats propelled
only by electric motors
Motorboats under 19 feet
Motorboats 19 feet and over

\$10/1yr \$20/3yrs
\$15/1yr \$40/3yrs
\$30/1yr \$80/3yrs

Tennessee
(non-title)

16' and under
over 16ft but less than 26'
26' to less than 40'
40' and over

\$10.00/3yrs
\$20.00/3yrs
\$30.00/3yrs
\$70.00/3yrs

Texas Title \$15	Less than 16 ft in length(Class A)	\$18.00/2yrs
	16' but less than 26ft (Class I)	\$27.00/2yrs
	26' but less than 40ft (Class II)	\$36.00/2yrs
	40 feet or more (Class III)	\$45.00/2yrs
Utah Title \$4	All Vessels	\$6.00 yrly
Vermont Title \$5	Less than 16 feet	\$10 yrly
	16' to less than 26'	\$20 yrly
	26' to less than 40"	\$40 yrly
	40' and over	\$100 yrly
Virginia Title \$7	0 -less than 16'	\$18.00/3yrs
	16' less than 20'	\$22.00/3yrs
	20' less than 40'	\$28.00/3yrs
	40 ft and over	\$36.00/3yrs
Washington Title \$5	All vessels	\$6.00 Yrly
West Virginia Title \$5	Boats under 3hp	Free
	All boats 3hp or over	\$15.00/3yrs
Wisconsin Title \$5	Less than 16'	\$6.50 yrly
	16' but less than 26'	\$8.50 yrly
	26' but less than 40'	\$10.50 yrly
	40 ft and over	\$12.50 yrly
Wyoming (non-title)	All vessels over 5hp	\$5.00 yrly

End...Updated 9/17/96

EAST COAST STATES COMPARISON OF REGISTRATION & TITLE FEES

Connecticut (non-title)	54 different fees based on length - (i.e., less than 12 feet \$7.50 and 65 feet or over \$525.00 annually) (SEE ATTACHED)	
Delaware (non-title)	0 - less than 16' 16' - less than 26' 26' - less than 40' 40' - less than 65' Over 65'	\$10.00 1yr/\$30 3 yrs \$20.00 1yr/\$60 3 yrs \$30.00 1yr/\$90 3 yrs \$50.00 1yr/\$150 3 yrs \$60.00 1yr/\$180 3 yrs
District of Columbia Title \$5.00	0 - less than 16 feet 16' but no greater than 26' Over 26' but less than 40' Over 40 feet in length * rates effective 11/96	\$15* Yearly \$25* Yearly \$35* Yearly \$45* Yearly
Florida Title \$5.25 and \$9.25	Under 12 ft and motorized canoes 12' or more and less than 16' 16' or more and less than 26' 26' or more and less than 40' 40' or more and less than 65' 65' or more and less than 110' 110 feet or more Original Title fee for residents Out-of-State Registered Vessel	\$6.75 Yearly \$13.75 Yearly \$21.75 Yearly \$53.75 Yearly \$85.75 Yearly \$101.75 Yearly \$125.75 Yearly \$5.25 \$9.25
Georgia (non-title)	0 - less than 16 feet 16 feet to 26 feet 26 feet to 40 feet 40 feet and up *Add Marine Toilet Certificate \$5 to all registrations	\$15.00 every 3 years \$36.00 every 3 years \$90.00 every 3 years \$150.00 every 3 years
Maine (non-title)	All vessels	\$4 yearly
Maryland Title \$5	Vessels 16 ft or less powered by 7.5 hp or less Vessels over 16 ft/or motor 7.5hsp and larger Documented Vessels	Free \$24.00 every 2 years \$10.00 every 2 years
Massachusetts Title \$15	All vessels	\$30 every 2 years

Exhibit X



Parris N. Glendening
Governor

Maryland Department of Natural Resources

Tawes State Office Building
Annapolis, Maryland 21401

John R. Griffin
Secretary

Carolyn D. Davis
Deputy Secretary

ADDENDUM
BY
DEPARTMENT OF NATURAL RESOURCES
MARINE INDUSTRY ECONOMIC DEVELOPMENT TASK FORCE
1997

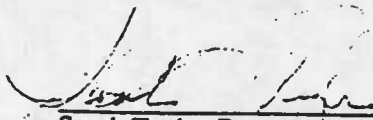
It is with regret that the Department of Natural Resources cannot support recommendations with regard to the trade-in exemption from the vessel excise tax and the reduction of the vessel excise tax from five to four percent.

During consideration of these two recommendations, the Department expressed the concern that there was not enough known about the economic assumptions to support either recommendation. We further indicated that the vessel excise tax attainment supported all of our activities which relate to boating among which are: safe boating education, law enforcement, navigation aids, dredging, sewage pump-out grants for marinas and local government grants for boating access. We also made clear that the level of general fund support for our budget had steadily dropped and that trend was very likely to continue. Since there was no understanding of the nature of any possible economic boost these two recommendations would have, the Department could not support proposals to further reduce the funding of these services to boaters. If these recommendations are implemented, the loss of revenue to the Department could be nearly \$4 million.

The Department also expressed concern about the realistic likelihood of the General Assembly enacting a funding mechanism to at least hold our funding in a steady state over the short term while the putative economic boost begins. We believe that the very tight capital debt ceiling would not permit the use of the Waterway Improvement Fund to leverage bond revenue. And we believe that proposed legislation to close the current loophole of free registration for small vessels and to raise other fees has a remote chance of passage particularly in the 1997 Session.

At the meetings of the Task Force where these two recommendations were discussed, we indicated a desire to work with the marine trades industry to better determine their economic effect. Inasmuch as the Task Force did not begin to meet until late August, there was not sufficient time to gather and evaluate boat sales data so that the economic assumptions could be understood. Additionally, the Department does not consider the results of the survey performed by the MTAM to be sufficient to change the Department's funding and believes that an independent and comprehensive survey should be performed before the results can be deemed reliable. Therefore, the Department suggests that the University of Maryland Sea Grant College be utilized to gather and analyze boat sales data. The University's data collection and analysis would provide the Department, the Task Force, and MTAM with the necessary information to determine the economic impact on the marine industry as well as the fiscal impact on the Department's funding. Once this survey and analysis is accomplished, the Department can consider the full ramifications of these proposals.

We reiterate our commitment to support and participate in the Task Force and to work for the enhancement of the Maryland marine industry.


DATE:
Sarah Taylor-Rogers, Assistant Secretary
Department of Natural Resources

8702